UMSHWATHI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2011

In terms of section 126 (1) of the Municipal Finance Management Act, I am responsible for the annual financial statements, which are set out on pages 1 to 33, and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

M.V. Cebekhulu
MUNICIPAL MANAGER

31 August 2011
Date

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GENERAL INFORMATION

The constitution of Council For the period 1 July 2010 to 25 May 2011 was as follows:

SPEAKER OF COUNCIL : Cllr. G.S. Maseko

MEMBERS OF THE EXECUTIVE COMMITTEE

Councillor	B.M. Gwala	:	Mayor, Exco. Chairperson
Councillor	S.S.Mbhele	:	Deputy Mayor
Councillor	M.J. Mkhize	:	Exco Member
Councillor	T.I. Gabela	:	Exco Member

MEMBERS OF THE UMSHWATHI MUNICIPAL COUNCIL

PR	:	Cllr. S.S. Mbhele
PR	:	Cllr. E.W. Eggers
PR	:	Cllr. T.I. Gabela
PR	:	Cllr. V.I. Gumede
PR	:	Cllr. A.G. Solomon
PR	:	Cllr. T.A. Hlatswayo
PR	:	Cllr. T.P. Phakathi
PR	:	Cllr. S.C. Gabela
PR	:	Cllr. D.A. Ndlela
PR	:	Cllr. C.B. Khonney
PR	:	Cllr. V.M. Mncwabe
W1	:	Cllr. M.P. Dlamini
W2	:	Cllr. N.P. Nene
W3	:	Cllr. B.E. Mbatha
W4	:	Cllr. G.S. Maseko
W5	:	Cllr. X.F. Maphumulo
W6	:	Cllr. A.T. Thusi
W7	:	Cllr. R. Mungroo
W8	:	Cllr. M.J. Mkhize
W9	:	Cllr. M. Goba
W10	:	Cllr. M.M. Nkala
W11	:	Cllr. B.M. Gwala

MAYOR : **Councillor B.M. Gwala**

DEPUTY MAYOR : **Councillor S.S. Mbhele**

The constitution of the Council since 26 May 2011 is as follows:

SPEAKER OF COUNCIL : Cllr. N.M.N. Msomi

MEMBERS OF THE EXECUTIVE COMMITTEE

Councillor	B.M. Gwala	:	Mayor, Exco. Chairperson
Councillor	S.S. Mbhele	:	Deputy Mayor
Councillor	M.J. Mkhize	:	Exco Member
Councillor	A.T. Thusi	:	Exco Member
Councillor	V.M. Mncwabe	:	Exco Member

CATEGORY OF LOCAL AUTHORITY

CATEGORY TWO (2)

AUDITORS

AUDITOR-GENERAL SOUTH AFRICA

BANKERS

FIRST NATIONAL BANK

REGISTERED OFFICE

Main Road
New Hanover
3230

TELEPHONE

033 - 5020282

MUNICIPAL MANAGER

Mr. M.V. Cebekhulu

CHIEF FINANCIAL 0FFICER

Mr. R.M. Mani

MEMBERS OF THE UMSHWATHI MUNICIPAL COUNCIL

PR	:	Cllr. N.M.N. Msomi
PR	:	Cllr. S.J. Luthuli
PR	:	Cllr. R. Mungroo
PR	:	Cllr. N.R. Khanyile
PR	:	Cllr. N.A. Thusi
PR	:	Cllr. N.P. Mdunge
PR	:	Cllr. T.A. Hlatswayo
PR	:	Cllr. M.M. de Vries
PR	:	Cllr. V.M. Mncwabe
PR	:	Cllr. Z.A. Thusi
PR	:	Cllr. N.H. Hlophe
PR	:	Cllr. T.I. Gabela
PR	:	N.L. Shabangu
W1	:	Cllr. M.P. Dlamini
W2	:	Cllr. P.M. Dladla
W3	:	Cllr. S.S. Mbhele
W4	:	Cllr. G.S. Maseko
W5	:	Cllr. G.H. Ngcobo
W6	:	Cllr. S.R.G. Gumede
W7	:	Cllr. S.M. Mbatha-Ntuli
W8	:	Cllr. B.M. Gwala
W9	:	Cllr. E.B. Mbongwe
W10	:	Cllr. M.J. Mkhize
W11	:	Cllr. A.T. Thusi
W12	:	Cllr. S.A. Duma
W13	:	Cllr. M. Goba

MAYOR : **Councillor B.M. Gwala**

DEPUTY MAYOR : **Councillor S.S. Mbhele**

APPROVAL OF FINANCIAL STATEMENTS

The Annual Financial Statements set out on page 12 to 30 were approved by the Municipal Manager on 26 August 2011 and presented to and approved by Council on 26 August 2011.

MUNICIPAL MANAGER
(Accounting Officer)
26 August 2011

CHIEF FINANCIAL OFFICER

26 August 2011

Accounting Officer's Report

1 OPERATING RESULTS

Details of operating results, classification and object of expenditure are included in appendices C and D. A summary of the operating for the year under review is set out hereunder

	2010/2011	2009/2010
1.1 Rate and General Services		
Expenditure		
Ordinary	62,711,562	49,343,069
Capital	0	0
	62,711,562	49,343,069
Income		
Assessment Rates	11,587,873	10,940,607
Other	65,683,665	58,062,006
	77,271,538	69,002,613
Accumulated Surplus		
Surplus/(Deficit) for year	14,559,976	19,659,544
Surplus brought forward		
	14,559,976	19,659,544

2 CAPITAL EXPENDITURE AND FINANCING

	2010/2011	2009/2010
Expenditure		
Rate and General Services	13,178,865	19,278,284
	13,178,865	19,278,284
Financing		
Grants and Subsidies	10,848,394	16,840,132
Revenue Contributions to Capital Outlay	2,330,471	2,438,152
	13,178,865	19,278,284

3 REVENUE

Rates form 15.00% of the total income of the municipality, the remainder of the income is generated by grants and trading services, The Equitable Share received fom National Government forms the bulk of the municipalities income amounting to R 41 165 122.

Interest received on investments and the current amounts is R 381 768 and interest on arrear accounts amounted to R 4 982 578.

4 EXPENDITURE

Employee costs amounts to R24.98 million and forms 40% of total expenditure of the municipality, while repairs and maintenance amounted to R3 719 569 and forms 6% of total expenditure.

Certain votes have been overspent and were as a result of unforseen expenditure and certain elements of inadequate budget provision.

Accounting Officer **Date** **26 August 2011**

1. BASIS OF PRESENTATION

The Annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP).

The Standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 9	Revenue
GRAP 12	Inventories
GRAP 13	Leases
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Asset

GRAP statements 4, 6, 7, 8, 10, 11, 14 and 16 have not been implemented since they do not affect the operations of the municipality.

GRAP statements 18, 21, 23, 24, 26 and 103 are not being implemented since they are issued but not effective.

These accounting policies are consistent with those of the previous financial year accept for the exemptions that applied in the previous year.

These accounting policies and the applicable disclosures have been based on Standards Of International Public Sector Accounting Standards (PSAS) issued by the International Federation of Accountants-Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board, of Generally Accepted Accounting Practice issued by the South African Accounting Practice Boards and the South African Institute of Chartered Accountants' Accounting Practice Committee.

The principal accounting policies adopted in the preparation of these annual financial statements, which have been consistently applied. Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standards GRAP.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 01 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 01 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the of the Housing Development Fund can be used only to finance housing developments within the municipality area subject to the approval of the Provincial MEC responsible for housing.

5. RESERVES

5.1 Capital Replacement Reserves (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or Investment account. The cash in the designated CRR bank account can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

5.2 Capitalisation Reserve

On the implementation of GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilized for the acquisition of items of property, plant and equipment, have been transferred to a Capitalisation Reserve instead of the accumulated surplus in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

The balance in the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus.

When an item of property, plant and equipment is disposed of, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus.

5.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus equal to the amount of the annual depreciation. The purpose of this policy is to promote community equity by ensuing that future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus.

5.4 Donations and Public Contribution Reserve

When items of property, plant and equipment are financed from public contributions and donations a transfer is made from the accumulated surplus to the Donations and Public Contribution Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuing that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed of, the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus.

6. ASSETS

6.1 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation. Land is not depreciated as it is deemed to have an indefinite life.

The cost of items of property, plant and equipment acquired in exchange for a non-monetary or monetary asset, or a combination of monetary and non-monetary assets

Is measured at its fair value .If the cost cannot be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalized when the recognition and measurement criteria of an asset are met.

The GRAP Standard on Impairment of Assets is applied to determine whether an item of property, plant and equipment need to be impaired.

Depreciation is calculated based on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

	YEAR	OTHER	YEARS
Infrastructure			
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Air Conditioners	5
Electricity	20	Other Vehicles	5
Housing	30	Office equipment	5
Street Lights	25	Furniture and Fitting	10
		Radios	5
Community		Other items of plant and equipment	3
Buildings	30	Computers and Computer Software	5
Security	5		

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

6.2 INTANGIBLE ASSETS

Computer Software is identified as Intangible Assets and is disclosed as such in the financial statements. The intangible asset is amortised over its useful life. Intangible assets are disclosed at cost less amortization in the financial statements.

7. FINANCIAL INSTRUMENTS

Financial Instruments, which include fixed deposits and short-term deposits invested in registered banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the loss, which is recognized as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Debtors have not been discounted as required by IAS 39 since the bulk of the debtors are rates debtors and arrear accounts are charged interest on the arrear balance on a monthly basis.

8. INVENTORIES

The only inventory held is that of consumable stores. The cost of consumable stores is expensed at the time of purchase.

9. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. The bulk of the outstanding debtors are made up of rates and interest raised on arrear accounts over the years. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. No bad debts were written off during the year. Amounts that are receivable within 12 months from the reporting date are classified as realisable

10. TRADE CREDITORS

Trade creditors are stated at their nominal value.

11. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

12. REVENUE RECOGNITION

12.1 Revenue from exchange transactions

Service charges relating to refuse removal are recognized on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month

Interest and rentals are recognized on a time proportionate basis.

Revenue arising from the application of the approved tariff of charges is recognized when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Income for agency services is recognized on a monthly basis once the income collected on behalf of agents has been quantified. The income recognized is in terms of an agency agreement.

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognized on a time proportionate basis.

Revenue from the sale of goods is recognized when the risk has passed to the consumer.

Revenue from public contributions is recognized when all conditions associated with the contribution have been met or, where the contribution is to finance property, plant and equipment, when such item of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognized.

12.2 Revenue from non-exchange transactions

Revenue from property rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Penalty interest on unpaid rates is recognized on a time proportionate Basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognized when payment is received.

Donations are recognized on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognized when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognized when the recovery thereof from the responsible Councillors or officials is virtually certain.

13. CONDITIONAL GRANT AND RECEIPTS

Revenue received from conditional grants and donations is recognized as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligation have not been met, a liability is recognized.

14 PROVISIONS

Provisions are recognized when the Municipality has a present or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the municipality.

15. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and with banks. Cash equivalents are short- term highly liquid investments that are held with registered banking institutions with maturities of six months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdraft.

Bank overdrafts are recorded based on the facility utilized. Finance changes on bank overdraft are expensed as incurred.

16. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003), Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal System Act (Act No. 32 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. COMPARATIVE INFORMATION

19.1 Current Year Comparatives

Budgeted amounts have been included in the annual financial statements for the current and previous financial years

19.2 Prior Year Comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified.

uMSHWATHI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Note	2011 R	2010 R
ASSETS			
Non - current assets		87,514,515	84,140,270
Property , plant and equipment	6	87,434,054	83,644,557
Intangible Assets	7	80,461	160,922
Long term receivables	8	0	334,791
Current assets		37,498,301	24,325,810
Consumer debtors	9	29,902,973	17,830,542
Other debtors	10	2,299,917	2,274,573
Current portion of long term debtors	8	0	111,597
Value added tax	5	1,299,225	209,269
Call investment deposits	11	3,672,541	3,177,377
Bank balances and cash	12	323,645	722,452
Total Assets		125,012,816	108,466,080
Non - current liabilities		25,413,897	25,865,810
Long term liabilities	2	25,413,897	25,865,810
Current liabilities		13,553,028	12,605,546
Creditors	3	7,297,412	6,804,938
Unspent conditional grants and receipts	4	3,926,208	3,278,016
Bank overdraft		0	0
Current portion of long term liabilities	2	2,329,409	2,522,592
Total Liabilities		38,966,925	38,471,355
Net Assets		86,045,891	69,994,724
NET ASSETS			
Net assets		86,045,891	69,994,724
Housing Development Fund	1	2,899,376	2,921,274
Capital Revaluation Reserve		4,619,502	6,202,123
Accumulated surplus		78,527,013	60,871,327
		86,045,891	69,994,724

uMSHWATHI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2011

BUDGET				ACTUAL	
2010	2011	REVENUE	Note	2011	2010
10,828,796	9,691,423	Property rates	13	11,587,873	10,940,607
800,000	800,000	Property rates - penalties imposed and collection charges		856,182	904,997
1,400,000	1,400,000	Service charges	14	1,398,935	1,403,434
200,000	150,000	Rental of facilities and equipment		155,417	155,469
250,000	100,000	Interest earned - external investments		381,768	307,918
3,250,000	3,750,000	Interest earned - outstanding debtors		4,982,578	4,513,865
400,000	300,000	Fines		121,255	183,213
1,500,000	1,700,000	Income for agency services		1,968,411	1,744,592
36,459,000	44,134,000	Government grants and subsidies	15	44,744,348	31,731,643
171,000.00	156,000.00	Other income	16	230,593	276,742
		Capital Funding	15	10,844,178	18,840,132
55,258,796	62,181,423	Total Revenue		77,271,538	69,002,612
		EXPENDITURE			
22,661,542	26,386,799	Employee related costs	17	24,983,099	21,605,588
4,212,600	4,795,624	Remuneration of Councillors	18	4,341,717	3,950,012
		Bad debts			
150,000	150,000	Collection costs		0	399,203
		Amortisation of Intangible Assets		80,461	64,389
5,116,000	2,100,000	Depreciation		7,806,748	5,990,087
4,797,500	6,829,500	Repairs and maintenance		3,719,569	3,447,577
2,100,000	2,500,000	Interest paid	19	2,386,954	2,847,914
400,000	100,000	Contracted services		439,009	253,888
15,771,000	18,219,500	General expenses	24.7	18,115,385	11,008,110
50,000	100,000	Contribution to Reserves		838,621	0
	1,000,000	Contribution to Capital		0	0
55,258,842	62,181,423	Total Expenditure		82,711,562	49,388,747
154	-	Surplus/(Deficit) for the year		14,559,975	19,635,865

Refer to Appendix E.1 for explanation of variances

uMSHWATHI LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

2011	Pre-GRAP Reserves and Funds R	Non-distributable Reserves R	Housing Development Fund R	Capital Replacement Reserve R	Revaluation Reserve R	Accumulated Surplus R	Total R
Balance at 30 June 2010	-	-	2,921,274	6,202,123		60,871,327	69,994,724
Adjust financials to agree to main ledger		-				-	-
	-	-	2,921,274			60,871,327	69,994,724
Implementation of GRAP	-	-	-	-		-	-
						-	-
	-	-	2,921,274	6,202,123	-	60,871,327	69,994,724
Surplus (deficit) for the year						14,559,975	14,559,975
Prior Year Adjustment						16,413	16,413
Reduction in Bad Debt Provision						3,079,298	3,079,298
Impairment				(1,582,621)			(1,582,621)
							-
	-	-	2,921,274	4,619,502	-	78,527,013	86,067,789

uMSHWATHI LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDEO 30 JUNE 2011

	Note	2011 R	2010 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers,government and other		75,867,696	57,221,176
Cash paid to suppliers and employees		(60,324,608)	(40,728,745)
Cash generated from (utilised in) operations	21	15,543,088	16,492,431
Interest received		381,768	307,918
Interest paid		(2,386,954)	(2,647,914)
NET CASH FROM OPERATING ACTIVITIES		13,537,902	14,152,435
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property,plant and equipment		(13,178,865)	(19,278,284)
Purchase of housing infrastructure		-	
Proceeds on disposal of property,plant and equipment		-	-
(Increase) decrease in investment properties			
(Increase) decrease in non - current receivables		446,388	(18,279)
(Increase) decrease in non - current investments			
(Increase) decrease in call investments		(495,164)	1,985,625
NET CASH FROM INVESTING ACTIVITIES		(13,227,641)	(17,310,938)
CASH FLOWS FROM FROM FINANCING ACTIVITIES			
New loans raised (repaid)/Other Capital Receipts		(590,841)	3,888,207
Increase (decrease) in consumer deposits		(118,227)	(118,227)
Increase (decrease) in short term loans			
NET CASH FROM FINANCING ACTIVITIES		(709,068)	3,767,980
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(398,806)	609,478
Cash and cash equivalents at the beginning of the year		722,452	112,974
Cash and cash equivalents at the end of the year		323,645	722,452
		(398,806)	609,478

	2011	2010
1 HOUSING DEVELOPMENT FUND		
Housing Development Fund		
Unappropriated Surplus		
Loans extinguished by Government on 1 April 1998	2,899,376	2,921,274
	2,899,376	2,921,274
The Housing Development Fund is represented by the following assets and liabilities		
Housing selling scheme loans (see note 13)	0	446,388
Housing rental and instalment debtors (see note 15)	1,307,631	1,260,562
Debtors - Department of Housing	185,332	185,332
Bank and cash	1,426,413	1,048,992
Sub - total	2,899,376	2,921,274
Creditors		
Total Housing Development Fund Assets and Liabilities	2,899,376	2,921,274
2 LONG TERM LIABILITIES		
Capitalised lease liability	352,250	423,646
External loans	27,391,055	27,964,756
	27,743,305	28,388,401
Less current portion transferred to current liabilities	-2,329,409	(2,522,592)
	25,413,897	25,865,810
3 CREDITORS		
Trade creditors	199,088	378,333
Accrued interest - external loan	1,044,883	1,296,828
Staff leave	1,142,692	850,819
VAT provision	93,481	95,575
Payments in advance	88,154	-
Sundry loans	104,117	70,128
Retention payable	103,898	103,898
Housing/Condditional Funding	3,120,210	1,892,937
Deposits other	3,304	3,304
Other creditors	1,417,807	2,115,514
	7,297,412	6,804,938
4 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
4.1 Conditional grants from other spheres of government	3,926,208	3,278,018
Total conditional grants and receipts	3,926,208	3,278,018
MIG	0	2,894,463
District: Tourism		
General Grant	58,025	58,025
MAP	0	-
Housing Plan	66,901	66,901
DPLG	0	-
DoE	3,392,285	
FMG	342,186	-
MSIG	66,811	258,627
	3,926,208	3,278,016
5 VAT		
VAT refundable	1,299,225	209,269

VAT is payable on the receipts basis

6 PROPERTY,PLANT AND EQUIPMENT

30-Jun-2011

Reconciliation of carrying value	Land and Buildings	Infrastr-ucture	Other	Housing	Total
Carrying value at 1 July 2010					
Cost	42,942,644	50,749,472	4,746,309		98,438,425
Revaluation	5,563,446	600,029	(665,622)		5,497,853
Accumulated depreciation					
- Cost	(3,531,066)	(15,307,414)	(2,336,192)	0	(21,174,672)
- Revaluation	(1,241,195)	1,884,833	239,313		882,951
	43,733,829	37,926,920	1,983,809	0	83,644,557
Acquisitions	837,173	6,798,332	572,064		8,207,569
Capital under construction	1,135,583	3,835,714			4,971,297
Revaluation: Cost		(1,582,621)			(1,582,621)
Revaluation: Depreciation					-
Depreciation					
- based on cost	(1,044,720)	(5,875,583)	(886,445)	0	(7,806,748)
- based on revaluation					
Carrying value of disposals					
Cost/revaluation					-
Accumulated depreciation					-
Carrying value at 30 JUNE 2011					
Cost	44,915,400	59,800,897	5,318,373	0	110,034,670
Revaluation	5,563,446	600,029	(665,622)		5,497,853
Accumulated depreciation					
- Cost	(4,575,788)	(21,182,997)	(3,222,637)	0	(28,981,420)
- Revaluation	(1,241,195)	1,884,833	239,313		882,951
	44,661,865	41,102,762	1,669,428	0	87,434,054

Reconciliation of carrying value	Land and Buildings	Infrastr-uctura	Other	Housing	Total
Carrying value at 1 July 2009					
Cost	39,530,398	34,883,434	4,746,309		79,160,141
Revaluation	5,563,446	600,029	(665,822)		5,497,853
Accumulated depreciation					-
- Cost	(2,737,634)	(10,845,094)	(1,801,857)		(15,184,585)
- Revaluation	(1,241,195)	1,884,833	239,313		882,951
	41,115,015	26,523,202	2,718,143	0	70,356,360
Acquisitions	2,238,102	12,054,502			14,292,604
Capital under construction	1,174,143	3,811,536			4,985,680
Revaluation: Cost					-
Revaluation: Depreciation					-
Depreciation					
- based on cost	(793,432)	(4,462,320)	(734,335)		(5,990,087)
- based on revaluation					
Carrying value of disposals					
Cost/revaluation					-
Accumulated depreciation					-
Carrying value al 30 JUNE 2010					
Cost	42,942,644	50,749,472	4,746,309	0	98,438,425
Revaluation	5,563,446	600,029	(665,622)		5,497,853
Accumulaled depreciation					-
- Cost	(3,531,066)	(15,307,414)	(2,336,192)	0	(21,174,672)
- Revaluation	(1,241,195)	1,884,833	239,313		882,951
	43,733,829	37,926,920	1,983,809	0	83,844,557

Refer to Appendix B for more detail on property,plant and equipment

	2011	2010
Assets Under Construction:		
Electrification	3,835,715	3,609,503
P423 Road	0	202,034
Eslezi Community Hall	126,811	150,966
Sports Centre	1,008,772	423,378
	4,971,298	4,385,880

	2011	2010
7 INTANGIBLE ASSETS		
Software Licences and LAN Network		
Cost	321,844	321,844
Amortisation	-241,383	(160,922)
	80,461	160,922

The software and network is being amortised over 5 years being its useful life

8 LONG TERM RECEIVABLES		
Housing loans	0	446,388
Less: Short term portion transferred to Sundry Debtors	0	(111,597)
	0	334,791

9 CONSUMER DEBTORS

Balances at 30 June 2010	Gross balance	Provision for doubtful debts	Net balance
Service debtors	1,608,837	1,300,418	308,419
Rates	21,374,407	0	21,374,407
Housing	642,028		642,028
Other	19,300,686	11,722,567	7,578,119
Total	42,925,958	13,022,985	29,902,973
Balances at 30 June 2009			
Service debtors	1,189,838	904,298	285,538
Rates	16,327,194	0	16,327,194
Housing	672,579		672,579
Other	15,743,217	15,197,988	545,231
Total	33,932,825	16,102,284	17,830,542

Rates: Ageing		
Curent (0 - 30 days)	1,468,208	1,432,443
31 - 60 days	933,237	882,460
61 to 90 days	844,393	821,393
91 - 120 days	814,865	791,200
121 days and over	17,313,706	13,041,801
Total	21,374,407	16,969,097

	2011	2010
Refuse and other : Ageing		
Current (0 - 30 days)	682,974	1,278,502
31 - 60 days	694,635	550,992
61 to 90 days	669,708	518,460
91 - 120 days	639,338	497,831
121 days and over	18,864,896	14,759,848
Total	21,551,551	17,605,631
	42,925,958	34,574,729

An estimate is made of doubtful debts based on a review of all outstanding debtors at year end. Interest is charged on individual debtor accounts once they go into arrears. The current provision is considered adequate since the bulk of the debtors are rates debtors and Government departments.

10 OTHER DEBTORS

District Municipality	220,204	220,204
Thokazane housing	1,438,745	1,438,745
Councillors	0	6,395
Department of Housing	165,332	165,332
Accrued Interest	31,292	90,689
Other	444,345	353,210
Total other debtors	2,299,917	2,274,573
less: Provision for doubtful debts	0	-
	2,299,917	2,274,573

11 CALL INVESTMENT DEPOSITS

Other daposits	3,672,541	3,177,377
	3,672,541	3,177,377

Invastments ara 32 day and /or 90 day monay market accounts. A call account is also held in which tha aquitabla shara is transfarrad when racelved. Funds are transferred from the call account as and whan required.

12 BANK,CASH AND OVERDRAFT BALANCES

The Municipality has tha following bank accounts:

Current account (Primary bank account)

First National Bank -
Account number - 62025429232

Cash book balance at beginning of year (overdrawn)	720,106	110,626
Cash book balance at end of year	321,300	720,106
Bank statement balance at beginning of year	717,820	127,910
Bank statement balance at end of year	307,931	717,820

	2011	2010
13 PROPERTY RATES		
Actuat		
Agricultural	3,590,663	3,390,099
Residentiat	2,861,290	2,701,466
Commercial	1,318,142	1,244,514
Public service infrastructure	3,153,592	2,977,441
State	664,186	627,087
Other		
Totat assessment rates	11,587,873	10,940,607
Vatuations		
Agricultural	1,815,124,000	1,815,124,000
Residentiat	264,634,000	264,634,000
Commercial	161,170,000	161,170,000
Public service infrastructure	425,861,000	425,861,000
State	44,007,000	44,007,000
Other	13,353,000	13,353,000
Totat property vatuations	2,724,149,000	2,724,149,000

The comparative figure for the rates income has been restated to take into account the reduction in rates income after the adjustments for successfut objections.

14 SERVICE CHARGES		
Refuse removal	1,398,935	1,403,434
Water, sewer and other charges	0	-
	1,398,935	1,403,434
15 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	41,185,122	29,827,353
Clinic subsidy	1,479,598	0
Conditional grants utilised	12,943,808	2,104,340
	55,588,528	31,731,693
Refer Appendix F		
16 OTHER INCOME	230,592	278,742
Fees: Photocopies	11,938	11,729
Fees: Rates Clearance	4,389	5,012
Library Fines	1,705	0
Interest: Current Account	27,381	12,459
Fees	13,213	983
Community Hall	16,765	9,537
Maintenance	126,422	55,530
Cemetery	9,868	8,984
Postal Service	18,911	21,817
Sundry		150,691
	230,592	276,742

	2011	2010
17 EMPLOYEE RELATED COSTS		
Employee related costs - salaries and wages	18,393,435	16,794,246
Employee related costs - contributions to UIF,pension and medical costs	3,537,817	3,280,573
Travel,vehicle,accommodation,subsistence and other allowances	1,088,972	973,379
Housing benefits and allowances	210,395	28,810
Overtime payments	409,607	251,317
Bonus	942,122	
Skills Levy/Protective Clothing/Bargaining Council	400,751	277,264
Sub-total	24,983,099	21,605,588
Less:Employee costs allocated to Property,Plant and Equipment		
Less:Employee costs included in other expenses		
Total employee related costs	24,983,099	21,605,588
There were no loans to employees.		
Remuneration of the Municipal Manager		
Annual remuneration	583,761	550,718
Bonus	127,200	120,000
Car allowance	105,252	99,294
Contributions to Medical and Pension Funds and UIF	816,213	770,013
Remuneration of the Chief Financial Officer		
Annual remuneration	471,057	455,757
Bonus	15,000	13,620
Car allowance	98,000	79,680
Contributions to Medical and Pension Funds	943	943
	583,000	550,000

Remuneration of other managers

30-Jun-2010	Corporate Services	Technical Services	Community Services
Annual remuneration	495,000	331,334	495,000
Bonus		85,797	
Car allowance		77,869	
Contributions to Medical and Pension Funds	495,000	495,000	495,000
30-Jun-2011			
Annual remuneration	459,612	351,214	397,885
Bonus			13,250
Car allowance	65,088	86,847	74,794
Contributions to Medical and Pension Funds		86,839	38,791
	524,700	524,700	524,700

18 REMUNERATION OF COUNCILLORS		
Mayor	572,109	572,109
Deputy Mayor	254,873	254,873
Speaker	254,873	254,873
Executive committee members	499,189	479,221
Councillors	2,760,673	2,388,937
	4,341,717	3,950,012

Being a full time councillor the Mayor has the use of an office and a mayoral vehicle for official duties

	2011	2010
19 INTEREST PAID		
External loans	2,386,954	2,647,914
Finance leases		
	2,386,954	2,647,914
20 PRIOR PERIOD ERRORS		
	0	-
Restatement of Expenditure iro 2008/09 during 2010		(64,369)
Depreciation		64,369
Amortisation of Intangible Assets		
		(225,921)
Restatement of Property, Plant and Equipment and Intangible Assets iro 2008/09 during 2010		225,921
Property Plant and Equipment		
21 CASH GENERATED BY OPERATIONS		
	14,559,975	19,635,865
Surplus (deficit) for the year		-
Deficit - Housing operating account		
Ajjustment for :		
Prior year	7,806,748	5,990,087
Depreciation	0	(5,484,835)
Reversal of Water Debtors		
Contributions to provisions- non-current		
Contributions to provisions - current		
Contributions to bad debt provision	-381,768	(307,918)
Investment Income	2,386,954	2,647,914
Interest paid		
	24,371,909	22,481,113
Operating deficit before working capital changes	-8,993,132	-
(Increase) decrease in consumer debtors	-25,344	-
(Increase) decrease in other debtors	-1,089,958	-
(Increase) decrease in VAT debtor	-648,192	-
Increase (decrease) in conditional grants and receipts	492,474	-
Increase (decrease) in creditors	111,597	-
(Increase) decrease in current portion of long term debtors	14,219,357	22,481,113
22 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following amounts:		
Bank balances and cash	2,346	2,346
Cash on Hand	321,300	720,106
	323,645	722,452

23 RELATED PARTY TRANSACTIONS

23.1 The wife of Councillor M.J. Mkhize has an Interest in Silver Stars, the service provider performing the grass cutting function in New Hanover. 363,500

		2011	2010
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT			
24 **24.1 Contributions to organised local government**			
Opening balance		0	-
Council contributions		0	-
Amount paid - current year			
Amount paid - previous years		0	-
Balance unpaid (included in creditors)			
24.2 Audit fees			
Amount paid current year		829,218	566,067
24.3 VAT			
Opening balance		227,554	240,973
Current year output VAT		-529,513	(989,879)
Current year input VAT		3,627,571	3,279,010
Amount paid - current year			
Amount refunded by SARS - current		-2,007,701	(2,302,549)
Amount due by SARS - included in debtors		1,317,911	227,554
All VAT returns have been submitted by the due date.			
24.4 PAYE and UIF			
Current year payroll daductions and Council UIF contributions		3,770,347	2,924,828
Amount paid - current year		3,770,347	2,924,828
24.5 Pension and medical aid daductions			
Current yaar payroll deductions and Council contributions		4,252,064	3,668,815
Amount paid - current year		4,252,064	3,668,815
24.6 Councillors arrear consumor accounts			
No Councillors had arrear accounts outstanding for more than 90 days as at :			
30 June 2008	Total	Outstanding less than 90 days	Outstanding more than 90 days
	-	0	-
30 June 2009	Total	Outstanding less than 90 days	Outstanding more than 90 days
		0	-

	2011	2010
24.7 General Expenses: Detail		
Advertisements	201,723	126,286
Arts and Culture	82,475	0
Audit Fee: External	829,218	566,067
Bank Charges	75,280	41,166
Bursaries	9,357	0
Chemicals and Oil Dispersants	11,166	1,708
Communication: Budget Process	440,450	900
Conferences & Semnars	438,711	85,604
Crime Prevention	4,447	28,937
Entertainment	0	5,372
FBS & FBE	750,360	688,524
HIV/AIDS	46,198	0
Hospitality/Mayor's Outreach Program	143,287	24,115
Housing Plan	0	13,064
IDP Review	551,584	99,223
Information Technology	821,305	495,810
Insurance	253,704	233,562
Internal Audit	243,528	0
Law Enforcement	123,527	38,358
LED Projects	1,858,705	288,169
Legal Expenses/Bylaws	292,595	475,394
Levy: Research	0	1,317
Lost Books	0	679
Machinary Costs	284	20,305
Meterials	138,457	114,540
Medical Supplies	53,526	30,915
Office Equipment	4,415	2,261
Peuper Burials	93,672	70,983
Plant Hire	43,450	18,972
Postage & Stemps	66,202	96,641
Printing and Stationery	331,704	423,099
Purcheses: Electricity	723,552	580,723
Purchases: Water	0	109
Refreshments	205,996	93,698
Refuse Removel	676,604	1,066,633
Rentel: Copiers	321,732	516,909
Road Signs	33,183	1,663
Security	1,115,279	1,291,629
Small Scale Disasters	75,945	14,698
Social Empowerment	156,266	146,526
Speciel Projects	505,669	4,000
Sports Promotion	369,380	436,036
Subscriptions	185,547	10,397
Subsistance and Travelling	749,527	541,809
Sundries	17,547	10,371
Telephones	1,079,662	1,077,303
Tools	25,067	1,356
Towing of Vehicles	2,355	0
Town Planning	69,662	54,383
Training	765,963	16,573
Transport/Vehicle Cost	1,437,275	757,433
Valuation Fees	1,208,801	163,647
Ward Committees	71,791	101,755
Water Quality Monitoring	3,033	2,822
Workmans Compensation	50,190	14,473
Youth Desk	155,810	104,698
	18,115,385	10,984,432

	2011	2010
26 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
- approved and contracted for		
Infrastructure	8,500,000	4,000,000
- approved but not yet contracted for		
Infrastructure	23,335,000	9,200,000
Land and buildings	1,150,000	1,580,000
Community	500,000	9,450,000
	33,485,000	24,230,000
This expenditure will be financed from		
- capital replacement reserve	0	3,730,000
- government grants	33,485,000	20,500,000
- external loans	0	-
-	33,485,000	24,230,000

26 RETIREMENT BENEFIT INFORMATION

Certain Councillors and Certain employees belong to defined benefit plan of the Natal Joint Superannuation and Retirement funds, and theMunicipat Councillors'Pension Fund. Employees of uMshwathi make up less 1 % of the total members of the funds. uMshwathi's liability in these funds could not be determined owing mainly to the the assets not being allocated to each Municipality and one set of financials being prepared for each fund and not per municipality. These funds are subject to a triennial acturial valuation. The last valuation was performed in 2005.

Current Year's Contribution	4,252,064	3,668,815

28.1 SUPERANNUATION FUND

The actuarial value of total assets was R121,7 million more than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

26.1.1. surplus of R 210 million in respect of pensioners (funding level 119,4%)
28.1.2. deficit of R 88,3 million in respect of members (funding level 95 %)
26.1.3. the fund was thus 104,3% funded
26.1.4. the fund did not hold an investment reserve.
26.1.5. the total contribution rate payable, including the surcharge by and on behalf of members, exceeded that required for future service by 1,41% of member's pensionable emoluments
26.1.6. An additional contribution by way of a surcharge amounting to 6% of salaries is currently in place to fund the deficit.This surcharge will reduce to 4,5 per cent with effect from 1 July 2007.

26.2 RETIREMENT FUND

The actuarial value of total assets was R140,9 million less than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

26.2.1. surplus of R63,4 million in respect of pensioners (funding level 116,2%)
26.2.2. deficit of R204,3 million in respect of members (funding level 73,0%)
26.2.3. the fund was thus 87,7% funded
26.2.4. the fund did not hold an investment reserve
26.2.5. the total contirbution rate payable (including the surcharge of 14% payable jointly by pre-1 July 2002 members and by employers on their behalf) exceeded that required for future service by 12,59% of members pensionable emoluments.This should be sufficient to eliminate the deficit by 2010 provided that salary increases do not exceed CPIX plus 0,5 %.

			2011	2010
27 CONTINGENT LIABILITIES				
There are no contingent liabilities				
28 IRREGULAR EXPENDITURE			0	-
The due SCM process was not followed in the appointment of the IT consultant. The consultant was initially appointed to assist in an emergency and his appointment to provide IT services on an an on-going basis was motivated by the former chief financial officer.			0	-
Deviations from the SCM Policy:				
Three quotations were not obtained for the following expenditure:				
Hiring of Marquee (Sponsorship)	Star Hire	10253	4,999	-
Catering	Albert Falls Guest Lodge	896561	19,110	-
Training	Training	896295	35,043	-
Planning	Mark Putlick & associates	896231	8,172	
Car Wash	Dalton Car Wash	896363	3,775	
Pauper Burial	New Hanover Burial Service	896814	2,500	
Workshop & Accommodation	Mondazur Resort	896783	54,208	
Training	University of Free State	896893	39,996	
Service & Repair to Clinic Fridge	Air Con Industrial Maintenance	897027	11,365	
Tractor Repairs	Farm Maintenance Services	897169	32,251	-
				-
			211,419	0
Total			0	0

Note 29

Reconciliation of Actual and Budget Information

Details	Original Budget	Adjustments (S 28)	Final Budget	Actual	Unauthorised Expenditure	Variance	Actual as % of Final Budget	Actual as % of Original Budget
Revenue								
Property Rates	8,691,423.00	1,000,000.00	9,691,423.00	11,587,873.00		1,896,450.00	119.57%	133.33%
Service Charges	1,400,000.00		1,400,000.00	1,398,935.00		-1,065.00	99.92%	99.92%
Investment Revenue	100,000.00	0.00	100,000.00	381,768.00		281,768.00	381.77%	381.77%
Grants: Operational	43,691,000.00	0.00	43,691,000.00	44,744,348.00		1,053,348.00	102.41%	102.41%
Other Revenue	6,814,000.00	485,000.00	7,299,000.00	19,158,614.00		11,859,614.00	262.48%	281.17%
	60,696,423.00	**1,485,000.00**	**62,181,423.00**	**77,271,538.00**	**0.00**	**15,090,115.00**	**9.66**	9.99
Expenditure								
Employee Costs	26,386,799.00		26,386,799.00	24,983,099.00		-1,403,700.00	94.68%	94.68%
Councillor Allowances	4,795,624.00		4,795,624.00	4,341,717.00		-453,907.00	90.53%	90.53%
Depreciation	2,100,000.00	0.00	2,100,000.00	7,887,209.00		5,787,209.00	375.58%	375.58%
Interest Paid	2,500,000.00	0.00	2,500,000.00	2,386,954.00		-113,046.00	95.48%	95.48%
Repairs and Maintenance	6,629,500.00	0.00	6,629,500.00	3,719,569.00		-2,909,931.00	56.11%	56.11%
Other Expenditure	18,284,500.00	1,485,000.00	19,769,500.00	19,393,014.00		-376,486.00	98.10%	106.06%
	60,696,423.00	**1,485,000.00**	**62,181,423.00**	**62,711,562.00**	**0.00**	**530,139.00**	**8.10**	8.18
Surplus/Deficit	**0.00**	**0.00**	**0.00**	**14,559,976.00**	**0.00**	**14,559,976.00**		
Capital Recognised				10,844,178.00	Budgeted Surplus	0.00		

APPENDIX A
uMSHWATHI LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2011

EXTERNAL LOANS	Loan Number	Interest rate	Redeemable	Balance at 2010/06/30	Received during the year	Redeemed or written off during the year	Balance at 2011/06/30	Carrying value of property plant & equip.
				R	R	R	R	R
ANNUITY LOAN								
FIRST NATIONAL BANK		Prime less 1,00 %	2018/03/31	9,925,343	0	573,701	9,351,642	
DEVELOPMENT BANK		9,4 %		18,039,413	0	0	18,039,413	
TOTAL EXTERNAL LOANS				27,964,756	0	573,701	27,391,055	0

APPENDIX B

uMSHWATHI LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY,PLANT AND EQUIPMENT AT 30 JUNE 2011

	Cost/ Revaluation					Accumulated Depreciation				Carrying	Budget
	Opening Balance	Additions	Under Construction	Impairment	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value	Additions 2011
Land and Buildings											
Land	12,453,094	354,900			12,807,994	825,953			825,953	11,982,041	0
Buildings	36,131,867	482,272	1,135,583	-1,582,621	36,167,101	4,025,180	1,044,720		5,069,900	31,097,202	8,990,000
Dams and boreholes	0				0	0			0	0	0
	48,584,962	837,172	1,135,583	-1,582,621	48,975,096	4,851,133	1,044,720	0	5,895,853	43,079,243	8,990,000
Infrastructure											
Electrification reticulation	3,622,166	0	3,835,715		7,457,881	0			0	7,457,881	15,654,194
Sewer reticulation	0				0	0			0	0	0
Construction works	50,645,245	6,798,331	0		57,443,576	16,340,491	5,875,583		22,216,074	35,227,502	8,260,393
	54,267,411	6,798,331	3,835,715	0	64,901,457	16,340,491	5,875,583	0	22,216,074	42,685,383	23,914,587
Other Assets											
Office and computer equipment	456,809	306,973			763,782	854,909	0		854,909	-91,127	750,000
Furniture and fittings	1,338,481	265,091			1,603,572	498,317	273,141		771,458	832,114	2,100,000
Tools	71,889				71,889	64,968			64,968	6,921	0
Motor vehicles and major equipment	3,296,223				3,296,223	2,025,119	527,396		2,552,515	743,708	0
Machinery	429,539				429,539	229,276	85,908		315,184	114,355	150,000
Air conditioners	138,920				138,920	76,198			76,198	62,722	0
Other	138,018				138,018	137,284	0		137,284	734	0
	5,869,879	572,064	0	0	6,441,943	3,886,071	886,445	0	4,772,516	1,669,427	3,000,000
Total	108,722,252	8,207,567	4,971,298	-1,582,621	123,483,738	25,077,695	7,806,748	0	32,884,443	87,434,053	35,904,587

APPENDIX C

uMSHWATHI LOCAL MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY,PLANT AND EQUIPMENT AT 30 JUNE 2011

	Cost/ Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Impairment	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Executive and Council	13,962,529	306,973			14,269,502	1,209,770			1,209,770	13,059,732
Finance and Admin	18,158,112				18,158,112	4,283,178	886,445		5,169,623	12,988,489
Health	72,820				72,820	72,819			72,819	1
Community & Social Services	20,832,490	1,102,263	4,971,298	-1,582,621	25,323,430	3,202,493	1,044,720		4,247,213	21,076,217
Public Safety	852,806				852,806	527,040			527,040	325,766
Waste Management	675,729				675,729	82,806			82,806	592,923
Road Transport	53,026,018	6,798,331			59,824,349	14,564,920	5,875,583		20,440,503	39,383,846
Water	0				0	0			0	0
Other	1,141,748				1,141,748	1,134,668			1,134,668	7,080
	108,722,252	8,207,567	4,971,298	-1,582,621	120,318,496	25,077,695	7,806,748	0	32,884,443	87,434,053

APPENDIX D

uMSHWATHI LOCAL MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2011

2010	2010	2010		2011	2011	2011
Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R		Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R
60,607,922	28,991,884	31,616,038	Executive and Council	56,275,572	28,317,157	27,958,415
4,857,042	22,063,964	(17,206,923)	Finance and Admin	5,009,960	17,313,981	(12,304,021)
		-	Planning and Development			-
	718,556	(718,556)	Health	1,479,596	201,173	1,278,423
1,761,333	4,084,641	(2,323,308)	Community & Social Services	2,015,660	5,374,273	(3,358,613)
		-	Housing			-
183,213	1,478,387	(1,295,174)	Public Safety	121,255	216,581	(95,326)
		-	Sport and Recreation			-
		-	Environmental Protection			-
1,403,434	2,025,602	(622,167)	Waste Management	1,398,935	906,870	492,065
16,897,442	6,711,487	10,185,955	Road Transport	10,970,560	10,381,528	589,032
		-	Water			-
-	-	-	Other	-	-	-
		-				
85,710,386	66,074,521	19,635,865	Sub - total	77,271,538	62,711,563	14,559,975
			Less : Inter departmental charges			
85,710,386	66,074,521	19,635,865		77,271,638	62,711,563	14,559,975

APPENDIX E (1)

uMSHWATHI LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

REVENUE	2011 Actual R	2011 Budget R	2011 Variance R	2011 Variance %	Explanation of significant variances
Property rates	11,587,873	9,691,423	1,896,450	20	
Property rates - penalties imposed and collection charges	856,182	800,000	56,182	7	This is mainly due to the increase in rates debtors
Service charges	1,398,935	1,400,000	(1,065)	(0)	
Rental of facilities and equipment	155,417	150,000	5,417	4	
Interest earned - external investments	381,768	100,000	281,768	282	This was due to the fluctuations in the interest rates. The budgeted interest was very conservative.
Interest earned - outstanding debtors	4,982,578	3,750,000	1,232,578	33	The large increase is due to the increase in debtors.
Fines	121,255	300,000	(178,745)	(60)	This is as result of non payment of traffic fines. Initiatives have been taken to recover outstanding fines
Licences and permits	1,968,411	1,700,000	0		
Income for agency services	0		-		The increase is mainly due to increased in take of learner licences
Government grants and subsidies	44,744,348	44,134,000	610,348	1	
Other income	230,593	156,000.00	74,593	(48)	
MIG Funds	10,844,178	0.00			
Gain on disposal of property,plant and equipment	-	-	-		
Total Revenue	77,271,538	62,181,423	3,977,526	6	
EXPENDITURE					
Employee related costs	24,983,099	26,386,799	(1,403,700)	(5)	All budgeted posts were not filled.
Remuneration of Councillors	4.341,717	4.795,624	(453.907)	(9)	The approved increase was lower than budgeted for.
Bad debts			-		
Collection costs	0	150,000	(150,000)	(100)	
Amortisation of Intangible Assets	80,461				
Depreciation	7,806,748	2,100,000	5,706,748	272	The budget for depreciation was under budgeted
Repairs and maintenance	3,719,569	6,829,500	(3,109,931)	(46)	Certain expenditure that was budgetd for was not carried out.
Interest paid	2,386,954	2,500,000	(113,046)	(5)	
Bulk purchases	0		-		
Contracted services	439,009	100,000	339,009	339	Attempts were made to reduce the use of consultants.
Grants and subsidies paid	0		-		
General expenses	18,115,385	18,219,500	(104,115)	(1)	Certain expenditure that was budgetd for were not incurred.
Contribution to Reserves	838,621	100,000	738,621	739	The leave reserve was increase to provide for the total leave days due.
		1,000,000			
Total Expenditure	62,711,563	62,181,423	1,449,679	2	
Surplus (Deficit) for the year	14,559,975	-	2,527,847		

APPENDIX E (2)

uMSHWATHI LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET(ACQUISITION OF PROPERTY,PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual	2011 Under Construction	2011 Total Additions	2011 Budget	2011 Variance	2011 Variance	Explanation of significant variances
	R	R	R	R	R	%	
Infrastructure	0	3,835,715	3,835,715	15,654,194	(11,818,479)		Approved DoE Funding was only made available towards the latter part of the year.
Construction works	6,798,331	0	6,798,331	8,260,393	(1,462,062)	(18)	MIG Funding for certain projects for D 1017 was from the
	6,798,331	3,835,715	10,634,046	23,914,587	-13,280,541	(56)	District and the asset is that of the province thus not capitalised by the municipality.
Community Assets							
Land	354,900	0	354,900	0	354,900		
Buildings	482,272	1,135,583	1,617,855	8,990,000	(7,372,145)	(82)	
	837,172	1,135,583	1,972,755	8,990,000	-7,017,245	(78)	
Other Assets							
Office and accounting machines	306,973		306,973	750,000	(443,027)		Due to cash flow constraints computers were not replaced
Furniture and fittings	265,091		265,091	2,100,000	(1,834,909)		
Radios	0		0		-		
Machinery	0		0	150,000	(150,000)		Due to cash flow constraints certain machinery was not replaced.
Tools	0		0		-		
Air conditioners	0		0		-		
Vehicles	0		0		-		
Other				0			
	572,064	0	572,064	3,000,000	(2,427,936)	(81)	
Total	8,207,567	4,971,298	13,178,865	35,904,587	(22,725,722)	(63)	

APPENDIX F

UMSHWATHI LOCAL MUNICIPALITY - DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, ACT 56 OF 2003

Description	Name of organ of State	Unspent balance at 1 July 2010	Received 2010/2011	Expenditure 2010/2011	Transfer 2010/2011	Unspent balance at 30 June 2011	Grants delayed/ withheld	Reason for delaying/ withholding funds	Compliance with grant conditions	Reason for non-compliance
		R	R	R	R	R	R		YES/NO	
MIG		2,894,463	4,114,000	(7,008,463)	0	0			YES	
GRANTS - GENERAL		58,025				58,025			YES	
INDIGENT SUPPORT		0				0			YES	
MAP		0		-		0			YES	
CCI		0				0			YES	
TOURISM		0				0			YES	
FMG		0				0			YES	
MSIG		258,627	750,000	(941,816)		66,811			YES	
HOUSING PLAN		66,901	0	-		66,901			YES	
DPLG		0	0	-		0			YES	
PROPERTY RATES		0				0			YES	
MFMA		0				0			YES	
INTER DEPARTMENTAL		0				0			YES	
CDW		0				0			YES	
PLANNING		0				0			YES	
REGIONAL COUNCIL- CRECHE		0				0			YES	
REGIONAL COUNCIL - CEMETERY		0				0			YES	
REGIONAL COUNCIL - TAXI RANK		0				0			YES	
DEPT OF ENERGY		0	7,228,000	(3,835,715)		3,392,285			YES	
FINANCE MANAGEMENT		0	1,500,000	(1,157,814)		342,186			YES	
		3,278,016	13,592,000	(12,943,808)	0	3,926,208				